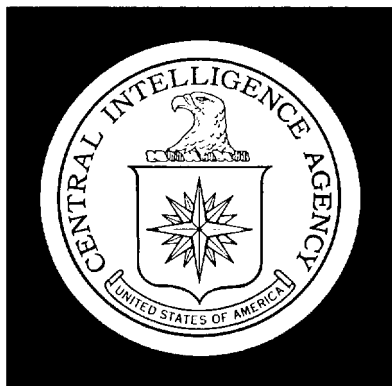


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27 August 1971

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27 August 1971

25X1

Central Intelligence Bulletin

CONTENTS

25X1

INDONESIA-CHINA: Djakarta is moving toward a more flexible position on Communist China. (Page 7)

25X1

JAPAN - COMMUNIST CHINA: Agreement on trade offices (Page 14)

25X1

Approved For Release 2003/06/25 : CIA-RDP79T00975A019900010002-9

Next 7 Page(s) In Document Exempt

Approved For Release 2003/06/25 : CIA-RDP79T00975A019900010002-9

INDONESIA-CHINA: Indonesia is moving toward a more flexible position on Communist China.

Djakarta, which suspended relations with Peking in 1967, has been divided on the wisdom of resuming ties. The Foreign Department has favored resumption while the army, which is the dominant force in the government, has been opposed. This year, however, President Suharto has permitted intermittent and indirect probing of China's attitude, and within recent months, a highly influential group of generals has begun to favor a foreign policy that would balance Western financial assistance by an improvement in relations with Communist countries including China.

Despite this shift, resistance toward full normalization of relations with Peking has continued. Following a policy review of the China question conducted immediately after President Nixon's announcement of his intended visit, Suharto reiterated that he would not move toward normalizing relations with Peking until the latter ceased its support of subversion in Indonesia and stopped its vituperation against the Indonesian Government.

[redacted] the change in attitude in Djakarta is accelerating and [redacted] the Foreign Department now feels secure in pressing its arguments for more flexibility within government circles. With Suharto's permission, the Department is apparently preparing, and may already have taken, further exploratory steps toward establishing direct communication with Peking. The full normalization of relations, however, probably will remain a slow process.

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27 Aug 71

Central Intelligence Bulletin

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Next 5 Page(s) In Document Exempt

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NOTE

JAPAN - COMMUNIST CHINA: Agreement has been reached to double the size of the Japan-China trade offices in Tokyo and Peking. Announcement of the agreement, [REDACTED]

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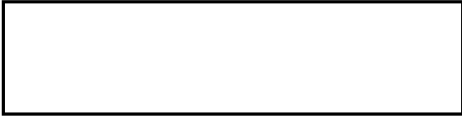
[REDACTED] came on the eve of the arrival in Japan of a prominent Chinese official who will attend the funeral of Matsumura, dean of the pro-Peking wing of the ruling conservative party. The timing of the announcement may have been intended to coincide with the visit of the Chinese official. In any case, it will have the effect of tantalizing the Japanese over the prospects for increased trade and contacts with China once Tokyo takes a more "progressive" attitude toward Peking. The Sato government, for its part, will no doubt cite this development as evidence of its willingness to enlarge contacts with China. [REDACTED]

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